

June 17, 2004

Dear Agency Head:

I am writing to request your assistance with the preparation of our FY '05-06 Executive Budget. While our economy is showing some signs of improvement, we will likely be facing yet another difficult budget year due to increases in health care and other costs as well as our current reliance on one-time funding sources. Given these challenges, we are compelled to begin an even more in depth budget analysis sooner than we did last year.

One of our frustrations in developing last year's budget was the difficulty in finding out the actual costs of various programs. Rather than asking for details on programs on a piecemeal basis over the next six months, it is our intent to compile all of this information on the front end of the process. Therefore, I have instructed the Office of State Budget to work with all state agencies in compiling thorough activity –based budgets over the summer.

In order to accomplish this initiative, I am asking each agency to break down its FY 2004-2005 appropriations into discrete and definitive activities. The attached guidelines will provide you with detailed instructions concerning what we are asking each of you to prepare and submit. As this inventory will be a key tool that we use in our budget preparations, your cooperation in accurately compiling this data is critically important to the process and will be greatly appreciated.

I am hopeful that you already use activity-based budgeting internally in your agency so that this will not be a burdensome process. If you do not already have this information readily available, I apologize in advance for the additional work that this may require. I am confident, however, that compiling this data will also be very helpful to you in assessing the internal priorities of your agency's operation.

Finally, let me take this opportunity to thank you and your staff for the work that you have been doing for the citizens of South Carolina, especially under the difficult and tight fiscal conditions of the past few years. I also want to thank you in advance for your cooperation with the Office of State Budget and our staff in putting these activity-based budgets together. As we move forward, I know that we can continue to work together in finding ways to better deliver services to our citizens as responsibly and efficiently as possible.

Sincerely,

Mark Sanford

MS/cw

Enclosure